

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01

COME-00 DODE-00 EB-07 FEAE-00 FPC-01 H-02 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-03

SP-02 SS-15 STR-04 TRSE-00 FRB-03 PA-01 PRS-01 USIA-06

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FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 9578

C O N F I D E N T I A L KUALA LUMPUR 2031

E.O. 11652: GDS

TAGS: ENRG, MY

SUBJ: AMENDMENT TO PETROLEUM LAW

REF: KUALA LUMPUR 1964

FOLLOWING IS RECAP OF DEVELOPMENTS SINCE REFTTEL.

1. ESSO EASTERN PRESIDENT, M.E.J. O'LOUGHLIN AND GENERAL COUNSEL COLLINS ARRIVED IN KUALA LUMPUR APRIL 12. THEY HAVE CONSULATED WITH ESSO'S MALAYSIAN DIRECTORS, TAN SRI HAJI OMAR ONG YOKE LIN AND TAN SRI HAJI NOAH (RAZAK'S FATHER-IN-LAW). THEY ARE CALLING APRIL 15 ON RAJAH MOHAR, PRIME MINISTER'S PRINCIPAL ADVISER ON ECONOMIC AFFAIRS AND CHAIRMAN OF THE PETROLEUM ADVISORY BOARD. (NEITHER RAJAH MOHAR NOR THE BOARD WERE CONSULTED ON THE LEGISLATION.) PETRONAS HEAD, TENGKU RAZALEIGH, HAS THUS FAR REFUSED TO SEE O'LOUGHLIN, SAYING THAT HE IS "TO BUSY." O'LOUGHLIN AND COLLINS MET FIRST WITH AMBASSADOR ON SUNDAY MORNING AND THEN AT DINNER MEETING WITH LOCAL ESSO OFFICIALS.

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2. TAN SRI OMAR, AS PRESIDENT OF THE SENATE, WAS

APPROACHED BY DEPUTY MINISTER ABDULLAH AHMAD, ASKING HIM TO BRING THE BILL FORWARD ON SENATE AGENDA AND GET IT PASSED TODAY OR TOMORROW. OMAR SAID HE COULD NOT DO THIS SINCE SCHEDULING OF GOVERNMENT BILLS WAS DONE BY THE GOVERNMENT, AND CABINET APPROVAL WOULD BE NECESSARY. HE EXPECTED, HOWEVER, THAT BILL WOULD BE APPROVED BY THE SENATE BY THE END OF THE WEEK. THERE WAS SOME DISCUSSION WITHIN ESSO GROUP ON POSSIBILITY THAT APPROVAL OF BILL MIGHT BE DELAYED, SUCH AS POSTPONING OF KING'S SIGNATURE, BUT THERE WAS GENERAL CONSENSUS THIS WAS UNLIKELY.

3. DUTCH AMBASSADOR KERNKAMP SAID THAT ALTHOUGH PRINCE BERNHARDT HAD BEEN BRIEFED ON PROBLEM, THERE HAD NOT BEEN OPPORTUNITY TO RAISE IT DURING CALL ON RAZAK. THEY DIDN'T PLAY GOLF TOGETHER. THE HAGUE HAS BEEN INFORMED OF THE BILL, BUT KERNKAMP HAD NO INSTRUCTIONS THUS FAR FOR FORMAL DEMARCHE. HE HAS, HOWEVER, EXPRESSED TO SEVERAL GOVERNMENT FIGURES HIS CONCERN OVER EFFECT ON THE INVESTMENT CLIMATE.

4. BRITISH HIGH COMMISSIONER REMAINS UNINSTRUCTED, BUT TELLS US HE HAS RAISED ISSUE WITH GERAKAN LEADER, PENANG CHIEF MINISTER LIM CHONG YEW. LIM MADE REASSURING NOISES AND SAID BILL WAS NECESSARY TO PREVENT OIL COMPANIES FROM MAKING PRIVATE DEALS WITH STATE GOVERNMENTS. HIGH COMMISSIONER TOLD LIM THIS SOUNDED HIGHLY UNLIKELY TO HIM (AS IT DOES TO US).

5. SUBJECT IS LIKELY TO BE RAISED DURING RAZAK'S OFFICIAL VISIT TO FRANCE. FRENCH HAVE CONTRACT TO BUILD LNG SHIPS AND MAJOR STAKE IN ORDERLY DEVELOPMENT OF PETROLEUM INDUSTRY HERE.

6. WE LEARNED THAT PRIME MINISTER'S PRINCIPAL PRIVATE SECRETARY FOR FOREIGN AFFAIRS, ZAIN AZRAAI, LEFT WITH PRIME MINISTER ON SATURDAY EVENING WITHOUT TEXT OF AMBASSADOR'S AIDE MEMOIRE, AND WE HAVE SENT IT TO HIM VIA EMBASSY, LONDON. MAKING PRIME MINISTER UNDERSTAND IMPLICATIONS OF THIS LEGISLATION IS ESSENTIAL. WITH DEPUTY PRIME MINISTER HUSSEIN ONN STILL IN THE HOSPITAL "FOR A REST," THERE IS NO ONE HERE WITH THE POLITICAL CLOUT TO CHALLENGE
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RAZALEIGH AND ABDULLAH. WE CONTINUE NONETHELESS TO CONVEY OUR VIEWS TO APPROPRIATE MINISTERS AND SENIOR CIVIL SERVANTS.
UNDERHILL

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